

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS,
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2011

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
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WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Officials
June 30, 2011

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Steve Young	Board President	2013
Royce Heitmeier	Board Member	2011
Larissa Conner	Board Member	2011
Michelle Williams	Board Member	2011
Joyce Stimpson	Board Member	2013
School Officials		
David Schmitt	Superintendent	2011
Tina Diewold	District Secretary/Treasurer	Indefinite
Toby Gordon	Attorney	Indefinite
Schulte, Hahn, Swanson, Engler & Gordon Law Firm		

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report

To the Board of Education
West Burlington Independent School District

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of West Burlington Independent School District, West Burlington, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of West Burlington Independent School District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated January 27, 2012 on my consideration of West Burlington Independent School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 49 through 51 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise West Burlington Independent School District's basic financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. In my opinion, the information set forth in the supplementary information for each of the eight years in the period ended June 30, 2011, appearing in Schedule 4, is fairly stated, in all material respects in relation to the basic financial statements from which it has been derived.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 27, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

West Burlington Independent School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$6,587,180 in fiscal 2010 to \$6,735,004 in fiscal 2011, and General Fund expenditures increased from \$6,370,773 in fiscal 2010 to \$6,588,578 in fiscal 2011. The District's General Fund balance increased from \$181,292 in fiscal 2010 to \$327,718 in fiscal 2011, an 81% increase.
- The increase in General Fund revenues was attributable to an increase in property tax and state and federal grant revenue in fiscal 2011. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures. One reason the General Fund balance increased is because the increase in negotiated salary and benefits settlement was less than the District's increase in General Fund revenue for fiscal 2011.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of West Burlington Independent School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report West Burlington Independent School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which West Burlington Independent School District acts solely as an agent or custodian for the benefit of those outside of District government.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the

year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the no major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
West Burlington Independent School District Annual Financial Report

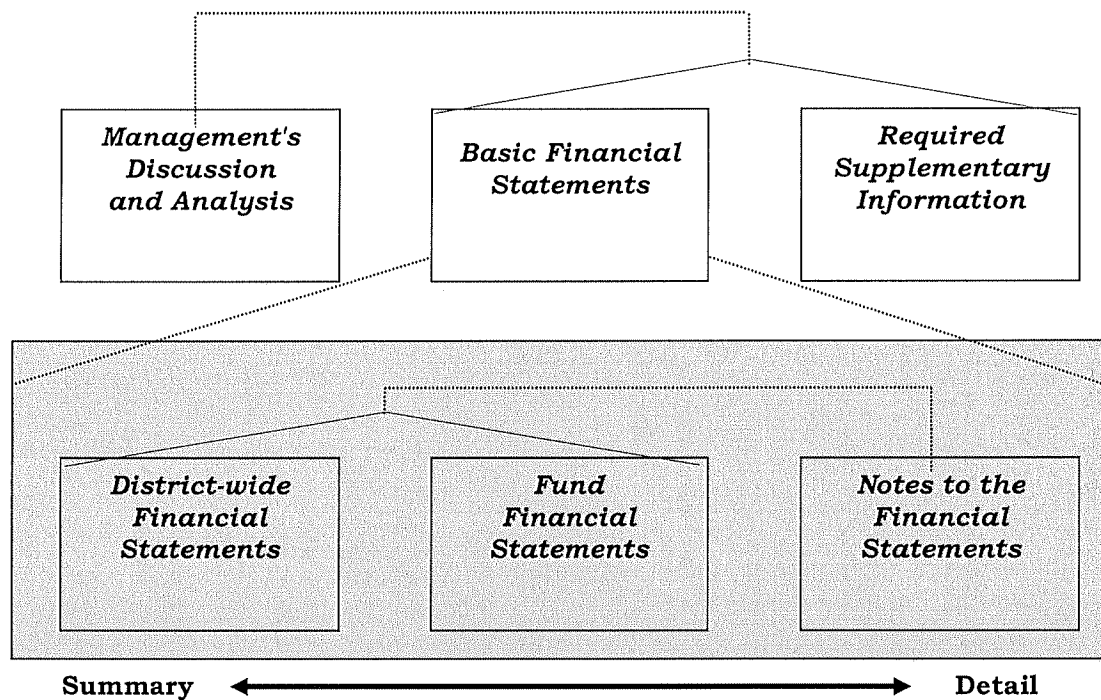


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary fund:* Services for which the District charges a fee are generally reported in a proprietary fund. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise fund, one type of proprietary fund, are the same as its business type activity, but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the School Nutrition Fund.

The required financial statements for the proprietary fund include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary fund:* The District is a trustee, or fiduciary, for assets that belong to others. These funds consist of a Private-Purpose Trust Fund and Agency Fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund - The District acts as an agent for individuals, private organizations or other governments.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for the fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$ 5,345,179	\$ 7,066,013	\$ 133,684	\$ 100,600	\$ 5,478,863	\$ 7,166,613	-23.55%
Capital assets	<u>8,197,590</u>	<u>6,326,097</u>	<u>28,222</u>	<u>33,998</u>	<u>8,225,812</u>	<u>6,360,095</u>	29.33%
Total assets	<u>13,542,769</u>	<u>13,392,110</u>	<u>161,906</u>	<u>134,598</u>	<u>13,704,675</u>	<u>13,526,708</u>	1.32%
Long-term liabilities	4,986,771	5,269,483	-	-	4,986,771	5,269,483	-5.37%
Other liabilities	<u>3,529,675</u>	<u>3,184,033</u>	<u>13,253</u>	<u>20,380</u>	<u>3,542,928</u>	<u>3,204,413</u>	10.56%
Total liabilities	<u>8,516,446</u>	<u>8,453,516</u>	<u>13,253</u>	<u>20,380</u>	<u>8,529,699</u>	<u>8,473,896</u>	0.66%
Net assets							
Invested in capital assets, net of related debt	3,765,777	4,393,223	28,222	33,998	3,793,999	4,427,221	-14.30%
Restricted	1,415,786	443,468	-	-	1,415,786	443,468	219.25%
Unrestricted	<u>(155,240)</u>	<u>101,903</u>	<u>120,431</u>	<u>80,220</u>	<u>(34,809)</u>	<u>182,123</u>	-119.11%
Total net assets	<u>\$ 5,026,323</u>	<u>\$ 4,938,594</u>	<u>\$ 148,653</u>	<u>\$ 114,218</u>	<u>\$ 5,174,976</u>	<u>\$ 5,052,812</u>	2.42%

The District's combined net assets increased by approximately 2%, or \$122,164, over the prior year. The largest portion of the District's net assets is the investment in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased \$972,318, or approximately 219% over the

prior year. The increase was primarily a result of an increase in the net assets of the Capital Projects Fund, which resulted from more statewide sales, services and use tax being received than expended.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased \$216,932, or approximately 119%. This decrease in unrestricted net assets was a result of the District spending restricted funds for the construction project during fiscal 2011.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4
Change in Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	2011	2010	2011	2010	2011	2010	2010-2011
Revenues							
Program revenues							
Charges for service	\$ 2,405,395	\$ 2,437,587	\$ 140,712	\$ 179,395	\$ 2,546,107	\$ 2,616,982	-2.71%
Operating grants	1,099,203	1,239,896	212,177	213,893	1,311,380	1,453,789	-9.80%
General revenues							
Property tax	2,274,962	2,158,321	-	-	2,274,962	2,158,321	5.40%
Statewide sales, services and use tax	340,192	378,257	-	-	340,192	378,257	-10.06%
Unrestricted state grants	1,812,977	1,583,443	-	-	1,812,977	1,583,443	14.50%
Contributions and donations	4,104	134,466	-	-	4,104	134,466	-96.95%
Unrestricted investment earnings	8,287	16,370	46	74	8,333	16,444	-49.32%
Other	<u>25,675</u>	<u>483</u>	<u>-</u>	<u>-</u>	<u>25,675</u>	<u>483</u>	5215.73%
Total revenues	<u>7,970,795</u>	<u>7,948,823</u>	<u>352,935</u>	<u>393,362</u>	<u>8,323,730</u>	<u>8,342,185</u>	-0.22%
Program expenses							
Governmental activities							
Instruction	4,987,369	4,787,739	-	-	4,987,369	4,787,739	4.17%
Support services	1,907,816	1,929,422	-	-	1,907,816	1,929,422	-1.12%
Non-instructional programs	-	-	318,500	361,333	318,500	361,333	-11.85%
Other expenses	<u>987,881</u>	<u>1,052,392</u>	<u>-</u>	<u>-</u>	<u>987,881</u>	<u>1,052,392</u>	-6.13%
Total expenses	<u>7,883,066</u>	<u>7,769,553</u>	<u>318,500</u>	<u>361,333</u>	<u>8,201,566</u>	<u>8,130,886</u>	0.87%
Change in net assets	87,729	179,270	34,435	32,029	122,164	211,299	-42.18%
Net assets, beginning of year	<u>4,938,594</u>	<u>4,759,324</u>	<u>114,218</u>	<u>82,189</u>	<u>5,052,812</u>	<u>4,841,513</u>	4.36%
Net assets, end of year	<u>\$ 5,026,323</u>	<u>\$ 4,938,594</u>	<u>\$ 148,653</u>	<u>\$ 114,218</u>	<u>\$ 5,174,976</u>	<u>\$ 5,052,812</u>	2.42%

In fiscal 2011, property tax and unrestricted state grants account for 51% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for almost 100% of the revenue from business type activities.

The District's total revenues were \$8,323,730 of which \$7,970,795 was for governmental activities and \$352,935 was for business type activities.

As shown in Figure A-4, the District as a whole experienced a decrease of less than 1% in revenues and a 1% increase in expenses. Unrestricted state grants increased \$229,534 and property taxes increased \$116,641 to fund increases in expenditures. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$7,970,795 and expenses were \$7,883,066 for the year ended June 30, 2011. The District's revenue increased more than the expenditures due to an increase in property taxes and open enrollment, which helped fund the increase in expenditures.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5

	Total and Net Cost of Governmental Activities					
	Total Cost of Services			Net Cost of Services		
	Change			Change		
	2011	2010	2010-2011	2011	2010	2010-2011
Instruction	\$ 4,987,369	\$ 4,787,739	4.2%	\$ 1,670,947	\$ 1,332,102	25.4%
Support services	1,907,816	1,929,422	-1.1%	1,899,487	1,920,420	-1.1%
Other expenses	<u>987,881</u>	<u>1,052,392</u>	-6.1%	<u>808,034</u>	<u>839,548</u>	-3.8%
Total expenses	<u>\$ 7,883,066</u>	<u>\$ 7,769,553</u>	1.5%	<u>\$ 4,378,468</u>	<u>\$ 4,092,070</u>	7.0%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$2,405,395.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,099,203.
- The net cost of governmental activities was financed with \$2,615,154 in property and other taxes and \$1,812,977 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$352,935 representing a 10% decrease from the prior year and expenses were \$318,500, a 12% decrease from the prior year. The District's business type activities consist of the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the District instituted a closed campus lunch policy, resulting in an increase of students eating hot lunch at school.

INDIVIDUAL FUND ANALYSIS

As previously noted, West Burlington Independent School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,796,784, well below last year's ending fund balances of \$3,806,397. This was due to the District spending revenue from the 2010 issuance of statewide sales, services and use tax bonds during the 2011 year.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of decreasing the expenses to fall under the available revenues.
- The General Fund balance increased from \$181,292 to \$327,718, due in part to a slight increase in property taxes and open enrollment, as well as keeping the expenditures under the available resources.
- The Capital Projects - Building Projects Fund balance decreased due to expenditures for a remodeling project during fiscal year 2011. The District ended fiscal year 2011 with a fund balance of \$1,109,780 compared to \$3,135,126 at the end of fiscal year 2010.

Proprietary Fund Highlights

Enterprise Fund net assets increased from \$114,218 at June 30, 2010 to \$148,653 at June 30, 2011, representing an increase of approximately 30%. Due to the closed campus for lunch, there has been a significant increase in the number of students buying lunch, which resulted in more revenue.

BUDGETARY HIGHLIGHTS

West Burlington Independent School District did not amend its annual budget during the year ended June 30, 2011.

The District's revenues were \$83,246 less than budgeted revenues, a variance of approximately 1%. The most significant variance resulted from the District receiving less in state aid revenue than originally anticipated.

Total expenditures were \$963,251 less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$8,225,812, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 29% over last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$384,636.

The original cost of the District's capital assets was \$14,637,431. Governmental funds account for \$14,568,124, with the remainder of \$69,307 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the construction in progress category. The District's construction in progress category totaled \$1,712,266 at June 30, 2011, compared to zero reported at June 30, 2010. This increase resulted from the remodeling project started but not completed during the year ended June 30, 2011.

Figure A-6

	Capital Assets, Net of Depreciation						
	Governmental		Business Type		Total		Total
	Activities		Activities		School District		Change
	2011	2010	2011	2010	2011	2010	2010- 2011
Land	\$ 117,000	\$ 117,000	\$ -	\$ -	\$ 117,000	\$ 117,000	0.00%
Construction in progress	1,712,266	-	-	-	1,712,266	-	100.00%
Buildings and improvements	5,328,776	5,471,996	-	-	5,328,776	5,471,996	-2.62%
Improvements, other than buildings	312,138	195,418	-	-	312,138	195,418	59.73%
Furniture and equipment	<u>727,410</u>	<u>541,683</u>	<u>28,222</u>	<u>33,998</u>	<u>755,632</u>	<u>575,681</u>	31.26%
Totals	<u>\$ 8,197,590</u>	<u>\$ 6,326,097</u>	<u>\$ 28,222</u>	<u>\$ 33,998</u>	<u>\$ 8,225,812</u>	<u>\$ 6,360,095</u>	29.33%

Long-Term Debt

At June 30, 2011, the District had \$4,986,771 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 5% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$7 million.

Figure A-7

	Outstanding Long-term Obligations		
	Total		Total
	District		Change
	<u>2011</u>	<u>2010</u>	<u>2010-2011</u>
General obligation bonds	\$ 1,270,000	\$ 1,595,000	-20.38%
Revenue bonds	3,420,000	3,420,000	0.00%
Notes payable	26,500	53,000	-50.00%
Early retirement	198,090	165,028	20.03%
Net OPEB liability	<u>72,181</u>	<u>36,455</u>	98.00%
Total	<u>\$ 4,986,771</u>	<u>\$ 5,269,483</u>	-5.37%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of some existing circumstances that could significantly affect its financial health in the future:

- Because of the number of West Burlington special education students open enrolled or tuitioned out, the district will see a significant increase in the special education expenses in FY12.
- Because of the larger numbers in kindergarten and first grade, additional staff may be needed in order to keep those classes in 4 sections to keep the classroom size smaller.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Tina Diewold, District Secretary/Treasurer and Business Manager, West Burlington Independent School District, 607 Ramsey, West Burlington, Iowa, 52655.

Basic Financial Statements

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

Assets	Governmental Activities	Business Type Activities	Total
Cash and cash equivalents			
Cash with fiscal agent	\$ 443,816	\$ -	\$ 443,816
Other	2,291,667	125,456	2,417,123
Receivables			
Property tax			
Delinquent	31,422	-	31,422
Succeeding year	2,199,429	-	2,199,429
Accounts receivable	27,288	1,675	28,963
Accrued interest	14	-	14
Due from other governments	351,543	-	351,543
Inventories	-	6,553	6,553
Non-depreciable capital assets	1,829,266	-	1,829,266
Capital assets, net of accumulated depreciation	6,368,324	28,222	6,396,546
Total assets	<u>13,542,769</u>	<u>161,906</u>	<u>13,704,675</u>
 Liabilities			
Accounts payable	381,472	-	381,472
Salaries and benefits payable	866,529	13,253	879,782
Accrued interest payable	82,245	-	82,245
Deferred revenue			
Succeeding year property tax	2,199,429	-	2,199,429
Long-term liabilities			
Portion due within one year			
General obligation bonds payable	335,000	-	335,000
Revenue bonds payable	100,000	-	100,000
Notes payable	26,500	-	26,500
Termination benefits payable	51,951	-	51,951
Portion due after one year			
General obligation bonds payable	935,000	-	935,000
Revenue bonds payable	3,320,000	-	3,320,000
Termination benefits payable	146,139	-	146,139
Net OPEB liability	72,181	-	72,181
Total liabilities	<u>8,516,446</u>	<u>13,253</u>	<u>8,529,699</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
June 30, 2011

Exhibit A

	Governmental Activities	Business Type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 3,765,777	\$ 28,222	\$3,793,999
Restricted for			
Categorical funding	53,573	-	53,573
Physical plant and equipment	15,097	-	15,097
Student activities	75,161	-	75,161
School infrastructure	1,271,955	-	1,271,955
Unrestricted	(155,240)	120,431	(34,809)
Total net assets	<u>\$ 5,026,323</u>	<u>\$ 148,653</u>	<u>\$5,174,976</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
<u>Governmental activities</u>						
Instruction						
Regular instruction	\$ 2,971,096	\$ 2,045,415	\$ 803,375	\$ -	\$ (122,306)	\$ -
Special instruction	990,588	352,857	82,408	-	(555,323)	-
Other instruction	1,025,685	7,048	25,319	-	(993,318)	-
	<u>4,987,369</u>	<u>2,405,320</u>	<u>911,102</u>	<u>-</u>	<u>(1,670,947)</u>	<u>-</u>
<u>Support services</u>						
Student	174,957	-	-	-	(174,957)	-
Instructional staff	283,712	-	-	-	(283,712)	-
Administration	708,295	-	-	-	(708,295)	-
Operation and maintenance of plant	656,122	-	-	-	(656,122)	-
Transportation	84,730	-	3,580	-	(81,150)	-
Central support	-	75	4,674	-	4,749	-
	<u>1,907,816</u>	<u>75</u>	<u>8,254</u>	<u>-</u>	<u>(1,899,487)</u>	<u>-</u>
<u>Other expenses</u>						
Facilities acquisition	351,778	-	-	-	(351,778)	-
Long-term debt interest	210,336	-	-	-	(210,336)	-
AEA flowthrough	179,847	-	179,847	-	-	-
Depreciation (unallocated) *	245,920	-	-	-	(245,920)	-
	<u>987,881</u>	<u>-</u>	<u>179,847</u>	<u>-</u>	<u>(808,034)</u>	<u>-</u>
<u>Total governmental activities</u>	<u>7,883,066</u>	<u>2,405,395</u>	<u>1,099,203</u>	<u>-</u>	<u>(4,378,468)</u>	<u>-</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2011

Exhibit B

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Operating Grants, Contributions and Restricted Interest	Charges for Services	Capital Grants, Contributions and Restricted Interest	Governmental Business Type Activities	Activities
Functions/Programs (continued)					Total
Business type activities					
Non-instructional programs					
Food service operations	\$ 318,500	\$ 140,712	\$ -	\$ -	\$ 34,389
Total	<u>\$ 8,201,566</u>	<u>\$ 2,546,107</u>	<u>\$ 1,311,380</u>	<u>\$ (4,378,468)</u>	<u>\$ 34,389</u>
					<u>(4,344,079)</u>
General Revenues					
Property tax levied for					
General purposes	1,809,495			-	1,809,495
Debt service	319,813			-	319,813
Capital outlay	145,654			-	145,654
Statewide sales, services and use tax	340,192			-	340,192
Unrestricted state grants	1,812,977			-	1,812,977
Contributions and donations	4,104			-	4,104
Unrestricted investment earnings	8,287			46	8,333
Other	25,675			-	25,675
Total general revenues	<u>4,466,197</u>			<u>46</u>	<u>4,466,243</u>
Change in net assets	87,729			34,435	122,164
Net assets, beginning of year	4,938,594			114,218	5,052,812
Net assets, end of year	<u>\$ 5,026,323</u>			<u>\$ 148,653</u>	<u>\$ 5,174,976</u>

* This amount excludes the depreciation included in the direct expenses of the various programs.

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

Exhibit C

Balance Sheet
Governmental Funds
June 30, 2011

	<u>General</u>	<u>Capital Projects Building Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and pooled investments	\$ 1,110,338	\$ 882,732	\$ 298,597	\$2,291,667
Cash with fiscal agent	-	443,816	-	443,816
Receivables				
Property tax				
Delinquent	22,762	-	8,660	31,422
Succeeding year	1,548,747	-	650,682	2,199,429
Accounts receivable	2,950	-	24,338	27,288
Accrued interest	14	-	-	14
Due from other governments	298,731	-	52,812	351,543
Total assets	<u>\$2,983,542</u>	<u>\$1,326,548</u>	<u>\$ 1,035,089</u>	<u>\$5,345,179</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 139,583	\$ 216,768	\$ 25,121	\$ 381,472
Salaries and benefits payable	866,529	-	-	866,529
Deferred revenue				
Succeeding year property tax	1,548,747	-	650,682	2,199,429
Other	100,965	-	-	100,965
Total liabilities	<u>2,655,824</u>	<u>216,768</u>	<u>675,803</u>	<u>3,548,395</u>
Fund balances				
Restricted for				
Categorical funding	53,573	-	-	53,573
School infrastructure	-	1,109,780	162,175	1,271,955
Student activities	-	-	75,161	75,161
Management levy purposes	-	-	77,609	77,609
Physical plant and equipment	-	-	15,097	15,097
Debt service	-	-	29,244	29,244
Unassigned	274,145	-	-	274,145
Total fund balances	<u>327,718</u>	<u>1,109,780</u>	<u>359,286</u>	<u>1,796,784</u>
Total liabilities and fund balances	<u>\$2,983,542</u>	<u>\$1,326,548</u>	<u>\$ 1,035,089</u>	<u>\$5,345,179</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets
June 30, 2011

Exhibit D

Total fund balances of governmental funds	\$1,796,784
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	8,197,590
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	100,965
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(82,245)
Long-term liabilities, including bonds and notes payable, termination benefits and other postemployment benefits payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(4,986,771)</u>
Net assets of governmental activities	<u>\$5,026,323</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

		Capital Projects Building Project	Nonmajor Governmental Funds	Total
Revenues	<u>General</u>			
Local sources				
Local tax	\$1,592,762	\$ -	\$1,021,295	\$ 2,614,057
Tuition	2,123,906	-	-	2,123,906
Other	118,204	7,289	194,061	319,554
State sources	2,542,367	-	270	2,542,637
Federal sources	357,765	-	23,208	380,973
Total revenues	<u>6,735,004</u>	<u>7,289</u>	<u>1,238,834</u>	<u>7,981,127</u>
Expenditures				
Current				
Instruction				
Regular	2,834,033	91,900	87,475	3,013,408
Special	985,242	-	-	985,242
Other	825,778	-	194,372	1,020,150
	<u>4,645,053</u>	<u>91,900</u>	<u>281,847</u>	<u>5,018,800</u>
Support services				
Student	183,538	-	-	183,538
Instructional staff	294,596	41,707	50,811	387,114
Administration	666,629	-	49,210	715,839
Operation and maintenance of plant	554,026	-	89,260	643,286
Transportation	64,889	-	5,463	70,352
	<u>1,763,678</u>	<u>41,707</u>	<u>194,744</u>	<u>2,000,129</u>
Other expenditures				
Facilities acquisition	-	2,067,399	209,260	2,276,659
Long-term debt				
Principal	-	-	351,500	351,500
Interest and fiscal charges	-	-	163,805	163,805
AEA flowthrough	179,847	-	-	179,847
	<u>179,847</u>	<u>2,067,399</u>	<u>724,565</u>	<u>2,971,811</u>
Total expenditures	<u>6,588,578</u>	<u>2,201,006</u>	<u>1,201,156</u>	<u>9,990,740</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit E

	<u>General</u>	<u>Capital Projects Building Project</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 146,426	\$ (2,193,717)	\$ 37,678	\$ (2,009,613)
Other financing sources (uses)				
Interfund operating transfers in	-	168,371	364,425	532,796
Interfund operating transfers (out)	-	-	(532,796)	(532,796)
Total other financing sources (uses)	-	168,371	(168,371)	-
Net change in fund balances	146,426	(2,025,346)	(130,693)	(2,009,613)
Fund balance, beginning of year, as restated	181,292	3,135,126	489,979	3,806,397
Fund balance, end of year	<u>\$ 327,718</u>	<u>\$ 1,109,780</u>	<u>\$ 359,286</u>	<u>\$ 1,796,784</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit F

Net change in fund balances - total governmental funds \$ (2,009,613)

**Amounts reported for governmental activities in the Statement of Activities
are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures and depreciation expense are as follows:

Expenditures for capital assets	\$2,250,353	
Depreciation expense	<u>(378,860)</u>	1,871,493

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. (10,332)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 351,500

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, as follows:

Early retirement	(33,062)	
Other postemployment benefits	<u>(35,726)</u>	(68,788)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (46,531)

Change in net assets of governmental activities \$ 87,729

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Net Assets
Proprietary Fund
June 30, 2011

Exhibit G

	<u>Nonmajor Enterprise School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 125,456
Accounts receivable	1,675
Inventories	6,553
Capital assets, net of accumulated depreciation	<u>28,222</u>
Total assets	<u>161,906</u>
 Liabilities	
Salaries and benefits payable	<u>13,253</u>
 Net Assets	
Invested in capital assets	28,222
Unrestricted	<u>120,431</u>
Total net assets	<u><u>\$ 148,653</u></u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2011

Exhibit H

	Nonmajor Enterprise School Nutrition
Operating revenue	
Local sources	
Charges for service	<u>\$ 140,712</u>
Operating expenses	
Support services	
Operation and maintenance of plant	
Purchased services	<u>68</u>
Non-instructional programs	
Food service operations	
Salaries	117,211
Benefits	31,550
Purchased services	7,562
Supplies	155,389
Miscellaneous	944
Depreciation	<u>5,776</u>
	<u>318,432</u>
Total operating expenses	<u>318,500</u>
Operating loss	<u>(177,788)</u>
Non-operating revenues	
Interest income	46
State sources	3,472
Federal sources	<u>208,705</u>
Total non-operating revenues	<u>212,223</u>
Net income	34,435
Net assets, beginning of year	<u>114,218</u>
Net assets, end of year	<u>\$ 148,653</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2011

Exhibit I

	Nonmajor Enterprise School Nutrition
Cash flows from operating activities	
Cash received from sale of services	\$ 142,570
Cash payments to employees for services	(153,860)
Cash payments to suppliers for goods and services	(150,907)
Net cash used in operating activities	<u>(162,197)</u>
Cash flows from non-capital financing activities	
State grants received	3,472
Federal grants received	194,052
Net cash provided by non-capital financing activities	<u>197,524</u>
Cash flows from capital and related financing activities	<u>-</u>
Cash flows from investing activities	
Interest on investments	<u>46</u>
Net increase in cash and cash equivalents	35,373
Cash and cash equivalents, beginning of year	90,083
Cash and cash equivalents, end of year	<u><u>\$ 125,456</u></u>

**Reconciliation of operating loss to net cash
used in operating activities**

Operating loss	\$(177,788)
Adjustments to reconcile operating loss to net cash used in operating activities	
Depreciation	5,776
Commodities used	14,653
Decrease in accounts receivable	1,858
Decrease in inventory	431
(Decrease) in accounts payable	(2,028)
(Decrease) in accrued salaries and benefits	(5,099)
Net cash used in operating activities	<u><u>\$(162,197)</u></u>

Non-cash investing, capital and financing activities

During the year ended June 30, 2011 the District received \$14,653 of federal commodities.

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

Exhibit J

	Private Purpose Trust <u>Scholarships</u>	<u>Agency</u>
Assets		
Cash and pooled investments	\$ 300	\$ 767
Liabilities		
Due to others	<u>-</u>	<u>767</u>
Net assets		
Reserved for scholarships	<u>\$ 300</u>	<u>\$ -</u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Year Ended June 30, 2011

Exhibit K

	Private Purpose Trust <u>Scholarships</u>
Additions	\$ -
Deductions	<u>-</u>
Change in net assets	-
Net assets, beginning of year	<u>300</u>
Net assets, end of year	<u><u>\$ 300</u></u>

See notes to financial statements.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2011

Note 1. Summary of Significant Accounting Policies

The West Burlington Independent School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of West Burlington, Iowa, and the agricultural territory in Des Moines County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, West Burlington Independent School District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. The West Burlington Independent School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects - Building Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports no major proprietary funds. However, the District reports one nonmajor proprietary fund, the School Nutrition enterprise fund, which is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds consist of the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations or other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, termination benefits and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current year and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding property tax receivable has been recorded, the

related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	\$ 1,000
Improvements other than buildings	\$ 1,000
Intangibles	\$25,000
Furniture and equipment:	
School Nutrition Fund equipment	\$ 500
Other furniture and equipment	\$ 1,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Useful Life</u>
Buildings & Improvements	7-50 years
Improvements other than buildings	20 years
Intangibles	5-10 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July, August and part of September have been accrued as liabilities.

Termination Benefits - District employees meeting certain requirements are eligible for early retirement benefits. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The early retirement liability has been computed based on rates of pay in effect at June 30, 2011. The early retirement liability attributable to the governmental activities will be paid primarily from the Management Fund.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent federal grant proceeds, as well as property tax receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balance - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by any outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the District first applies restricted resources.

Net assets restricted through enabling legislation include \$15,097 for physical plant and equipment, \$75,161 for student activities and \$1,271,955 for school infrastructure.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

F. Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$1,097,664 pursuant to Rule 2a-7 under the Investment Company Act of 1940. ISJIT is registered with and regulated by the Securities and Exchange Commission.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer To	Transfer From	Amount
Capital Projects Building Project	Nonmajor governmental Debt service	\$ 168,371
Nonmajor governmental Debt service	Nonmajor governmental Capital Projects	
Debt service	Statewide Sales, Services and Use Tax	336,591
Debt service	Physical Plant and Equipment Levy	27,834
		<u>\$ 532,796</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources. The transfer from Capital Projects Funds to Debt Service Fund was for principal and interest payments on long-term debt. The transfer from the Debt Service Fund to the Capital Projects - Building Fund was to move expenditures to the appropriate fund.

Note 4. Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance, Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance, End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	\$ 950,000	\$ 950,000	\$ -
2010-11B	1/26/11	1/25/11	-	250,000	250,000	-
Total			<u>\$ -</u>	<u>\$1,200,000</u>	<u>\$1,200,000</u>	<u>\$ -</u>

During the year ended June 30, 2011, the District paid \$5,281 of interest on the ISCAP warrants.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	<u>Balance, Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, End of Year</u>
<u>Governmental activities</u>				
Capital assets not being depreciated:				
Land	\$ 117,000	\$ -	\$ -	\$ 117,000
Construction in progress	-	1,712,266	-	1,712,266
Total capital assets, not being depreciated	<u>117,000</u>	<u>1,712,266</u>	<u>-</u>	<u>1,829,266</u>
Capital assets being depreciated:				
Buildings and improvements	9,345,415	50,109	-	9,395,524
Improvements other than buildings	543,935	140,813	-	684,748
Furniture and equipment	<u>2,311,421</u>	<u>347,165</u>	<u>-</u>	<u>2,658,586</u>
Total capital assets being depreciated	<u>12,200,771</u>	<u>538,087</u>	<u>-</u>	<u>12,738,858</u>
Less accumulated depreciation for:				
Buildings and improvements	3,873,419	193,329	-	4,066,748
Improvements other than buildings	348,517	24,093	-	372,610
Furniture and equipment	<u>1,769,738</u>	<u>161,438</u>	<u>-</u>	<u>1,931,176</u>
Total accumulated depreciation	<u>5,991,674</u>	<u>378,860</u>	<u>-</u>	<u>6,370,534</u>
Total capital assets being depreciated, net	<u>6,209,097</u>	<u>159,227</u>	<u>-</u>	<u>6,368,324</u>
Governmental activities capital assets, net	<u>\$ 6,326,097</u>	<u>\$1,871,493</u>	<u>\$ -</u>	<u>\$8,197,590</u>
<u>Business type activities</u>				
Furniture and equipment	\$ 69,307	\$ -	\$ -	\$ 69,307
Less accumulated depreciation	<u>35,309</u>	<u>5,776</u>	<u>-</u>	<u>41,085</u>
Business type activities capital assets, net	<u>\$ 33,998</u>	<u>\$ (5,776)</u>	<u>\$ -</u>	<u>\$ 28,222</u>

Depreciation expense was charged to the following functions:

Governmental activities

Instruction	
Regular	\$ 26,532
Support services	
Instructional staff services	70,716
Administration	5,183
Operation and maintenance of plant	16,385
Transportation	<u>14,124</u>
	132,940
Unallocated depreciation	<u>245,920</u>
Total governmental activities depreciation expense	<u>\$378,860</u>

Business type activities

Food services	<u>\$ 5,776</u>
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Note 6. Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance, Beginning of Year	Additions	Reductions	Balance, End of Year	Due Within One Year
<u>Governmental activities</u>					
General obligation refunded bonds	\$1,595,000	\$ -	\$(325,000)	\$1,270,000	\$ 335,000
Revenue bonds	3,420,000	-	-	3,420,000	100,000
Notes payable	53,000	-	(26,500)	26,500	26,500
Termination benefits	165,028	76,796	(43,734)	198,090	51,951
Net OPEB liability	<u>36,455</u>	<u>35,726</u>	<u>-</u>	<u>72,181</u>	<u>-</u>
Totals	<u>\$5,269,483</u>	<u>\$ 112,522</u>	<u>\$(395,234)</u>	<u>\$4,986,771</u>	<u>\$ 513,451</u>

Interest costs incurred and charged to expense on all long-term debt was \$210,336 for the year ended June 30, 2011.

General Obligation Bonds Payable

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue of April 1, 2005			
	Interest %	Principal	Interest	Total
2012	4.0%	\$ 335,000	\$ 50,800	\$ 385,800
2013	4.0%	350,000	37,400	387,400
2014	4.0%	365,000	23,400	388,400
2015	4.0%	<u>220,000</u>	<u>8,800</u>	<u>228,800</u>
Totals		<u>\$ 1,270,000</u>	<u>\$ 120,400</u>	<u>\$ 1,390,400</u>

Revenue Bonds

Details of the District's June 30, 2011 statewide sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Bond issue of May 1, 2010			
	Interest Rates	Principal	Interest	Total
2012	3.50%	\$ 100,000	\$ 144,455	\$ 244,455
2013	3.50%	125,000	140,517	265,517
2014	3.75%	130,000	135,892	265,892
2015	3.75%	135,000	130,923	265,923
2016	3.75%	140,000	125,767	265,767
2017-2021	3.75-4.1%	780,000	543,942	1,323,942
2022-2026	4.2-4.6%	950,000	365,210	1,315,210
2027-2030	4.7-4.875%	<u>1,060,000</u>	<u>118,706</u>	<u>1,178,706</u>
Totals		<u>\$3,420,000</u>	<u>\$1,705,412</u>	<u>\$5,125,412</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,420,000 of bonds issued in May 2010. The bonds were issued to finance remodeling projects at the JH/HS building. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 70% of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the bonds is \$5,125,412. For the current year, no principal was paid; however, \$97,470 of interest was paid on the bonds and statewide sales, services and use tax revenues were \$340,192.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$270,572 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District complied with all the revenue bond provisions during the year ended June 30, 2011.

Termination Benefits

Sick leave days accrue at 10-15 days per year (depending upon an employee's status) to a maximum of 105 days. Upon retirement, after attaining age 59 with 10 years of service to the District and upon Board approval, an employee may receive a severance benefit based on a percentage of accumulated sick leave days, payable at the employee's per diem salary on the last day of employment, according to the following schedule:

<u># Years of Service</u>	<u>%</u>
10-14	20
15-19	30
20-24	40
25 or more	50

Individuals who elect early retirement but have not reached their 65th birthday are eligible to have the District continue to pay their insurance benefits through the month of their 65th birthday. Eleven individuals are currently receiving this benefit. Early retirement expenditures for the year ended June 30, 2011 totaled \$43,734.

Note 7. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members were required to contribute 4.5%, 4.30% and 4.10% of their annual covered salary and the District was required to contribute 6.95%, 6.65% and 6.35% of annual covered payroll for the years ended June 30, 2011, 2010 and 2009 respectively. Contribution requirements are established by State statute. The District's contribution to IPERS for the years

ended June 30, 2011, 2010 and 2009 were \$291,381, \$276,341 and \$261,420, respectively, equal to the required contributions for each year.

Note 8. Other Postemployment Benefits (OPEB)

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2011.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 68 active members and eight retired members in the plan. Participants must be age 58 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of the plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 93,973
Interest on net OPEB obligation	1,094
Adjustment to annual required contribution	<u>(1,823)</u>
Annual OPEB cost	93,244
Contributions made	<u>(57,518)</u>
Increase in net OPEB obligation	35,726
Net OPEB obligation beginning of year	<u>36,455</u>
Net OPEB obligation end of year	<u><u>\$ 72,181</u></u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$57,518 to the medical plan. Plan members eligible for benefits contributed nothing of the premium costs for the OPEB obligation.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2010	\$ 93,973	61.2%	\$ 36,455
2011	\$ 93,244	61.2%	\$ 72,181

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$810,631, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$810,631. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4.3 million and the ratio of UAAL to covered payroll was 19.0%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 3% discount rate based on the District's funding

policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 6%. The medical trend rate is reduced 1% each year until reaching the 6% ultimate trend rate.

Mortality rates are from the RP-2000 Combined Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9. Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media, and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$179,847 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Contingencies

Grant Funding - The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenditures are disallowed by the grantor government due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2011, significant amounts of grant expenditures have not been audited by granting authorities but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

Note 12. Categorical Funding

The District's restricted fund balance for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	
4-year old preschool state aid	\$ 16,585
Beginning teacher mentoring and induction program	878
Teacher salary supplement	18,657
Educator quality, professional development for model core curriculum	8,299
Educator quality, professional development	<u>9,154</u>
	<u>\$ 53,573</u>

Note 13. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue</u>
	<u>Physical</u>	<u>Physical</u>
	<u>Plant and</u>	<u>Plant and</u>
	<u>Equipment</u>	<u>Equipment</u>
	<u>Levy</u>	<u>Levy</u>
Balances June 30, 2010, as previously reported	\$ -	\$ 10,706
Change in fund type classification per implementation of GASB Statement No. 54	<u>10,706</u>	<u>(10,706)</u>
Balances July 1, 2010, as restated	<u>\$ 10,706</u>	<u>\$ -</u>

Note 14. New Governmental Accounting Standards Board (GASB) Statements

During the year ended June 30, 2011, the District implemented the following GASB statements:

- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement improves the usefulness of information provided to financial report users about fund balances by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. Fund balance information is among the most widely and frequently used information in state and local government financial reports. The GASB developed this standard to

address the diversity of practice and the resulting lack of consistency that had evolved in fund balance reporting. To reduce confusion, the new standard establishes a hierarchy of fund balance classification based primarily on the extent to which a government is bound to observe spending constraints. The District reclassified the fund balances for all governmental funds as a result of the implementation of this Statement.

- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves existing standards regarding financial reporting of certain financial instruments and external investments pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investments pool, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*.

As of June 30, 2011, the GASB had issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

- GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, an amendment of GASB Statement No. 43 and No. 45, issued January 2010, will be effective for the District beginning with its year ending June 30, 2012. This Statement addresses issues related to measurement of OPEB obligations by certain employers participating in agent multiple-employer OPEB plans.
- GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve the financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and government operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.
- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* an amendment of GASB Statements No. 14 and No. 34, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statement to better assess the

accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

- GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncement issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.
- GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, issued July 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statement in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.
- GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions (an amendment of GASB Statement No. 53), issued July 2011, will be effective for the District beginning with its year ending June 30, 2012. This Statement clarifies that when certain conditions are met, the use of hedge accounting should not be terminated. Those conditions are: (a) the collectability of swap payments

is considered to be probable, (b) the replacement of the counterparty or credit support provider meets the criteria of an assignment or in-substance assignment as described in the Statement, and (c) the counterparty or counterparty credit support provider (and not the government) has committed the act of default or termination event. When all of these conditions exist, the GASB believes that the hedging relationship continues and hedge accounting should continue to be applied.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Note 15. Subsequent Event - Construction Commitment

The District started a remodeling project at the JH/HS building in August 2010. The project will be partially financed by the issuance of the statewide sales, services and use tax revenue bonds. At June 30, 2011 the District had entered into a contract totaling \$1,735,057 for this project and costs of \$1,526,704 had been incurred against the contract. The balance of \$208,353 remaining at June 30, 2011 will be paid as work on the project progresses. The project is expected to be completed in early fall of 2011.

Required Supplementary Information

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual
All Governmental Funds and Proprietary Fund
Required Supplementary Information
For the Year Ended June 30, 2011

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 5,057,517	\$ 140,758	\$ 5,198,275	\$ 5,229,305	\$ 5,229,305	\$ (31,030)
Intermediate sources	-	-	-	80	80	(80)
State sources	2,542,637	3,472	2,546,109	2,731,523	2,731,523	(185,414)
Federal sources	380,973	208,705	589,678	456,400	456,400	133,278
Total revenues	<u>7,981,127</u>	<u>352,935</u>	<u>8,334,062</u>	<u>8,417,308</u>	<u>8,417,308</u>	<u>(83,246)</u>
Expenditures/Expenses						
Instruction	5,018,800	-	5,018,800	5,059,500	5,059,500	40,700
Support services	2,000,129	68	2,000,197	2,093,700	2,093,700	93,503
Non-instructional programs	-	318,432	318,432	380,000	380,000	61,568
Other expenditures	2,971,811	-	2,971,811	3,739,291	3,739,291	767,480
Total expenditures/expenses	<u>9,990,740</u>	<u>318,500</u>	<u>10,309,240</u>	<u>11,272,491</u>	<u>11,272,491</u>	<u>963,251</u>
Net change in fund balance	(2,009,613)	34,435	(1,975,178)	(2,855,183)	(2,855,183)	880,005
Balance, beginning of year	3,806,397	114,218	3,920,615	3,654,478	3,654,478	266,137
Balance, end of year	<u>\$ 1,796,784</u>	<u>\$ 148,653</u>	<u>\$ 1,945,437</u>	<u>\$ 799,295</u>	<u>\$ 799,295</u>	<u>\$ 1,146,142</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District did not amend its certified budget.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Funding Progress for the
Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ -	\$810,631	\$810,631	\$ -	\$4,299,180	18.9%
2011	July 1, 2009	-	810,631	810,631	-	4,272,120	19.0%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

Other Supplementary Information

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

Schedule 1

	<u>Special Revenue</u>		<u>Capital Projects</u>			
	Student	Management	Statewide	Physical	Debt	
	<u>Activity</u>	<u>Levy</u>	<u>Sales, Services</u>	<u>Plant and</u>	<u>Service</u>	<u>Total</u>
			<u>and Use Tax</u>	<u>Equipment</u>		
				<u>Levy</u>		
Assets						
Cash and pooled investments	\$ 75,622	\$ 74,522	\$ 109,370	\$ 13,537	\$ 25,546	\$ 298,597
Receivables						
Property tax						
Delinquent	-	3,084	-	1,881	3,695	8,660
Succeeding year	-	200,573	-	143,342	306,767	650,682
Accounts receivable	1,130	-	-	23,208	-	24,338
Due from other governments	-	3	52,805	1	3	52,812
Total assets	<u>\$ 76,752</u>	<u>\$ 278,182</u>	<u>\$ 162,175</u>	<u>\$ 181,969</u>	<u>\$ 336,011</u>	<u>\$ 1,035,089</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,591	\$ -	\$ -	\$ 23,530	\$ -	\$ 25,121
Deferred revenue						
Succeeding year property tax	-	200,573	-	143,342	306,767	650,682
Total liabilities	<u>1,591</u>	<u>200,573</u>	<u>-</u>	<u>166,872</u>	<u>306,767</u>	<u>675,803</u>
Fund balances						
Restricted for						
Student activities	75,161	-	-	-	-	75,161
Management levy purposes	-	77,609	-	-	-	77,609
School infrastructure	-	-	162,175	-	-	162,175
Physical plant and equipment	-	-	-	15,097	-	15,097
Debt service	-	-	-	-	29,244	29,244
Total fund balances	<u>75,161</u>	<u>77,609</u>	<u>162,175</u>	<u>15,097</u>	<u>29,244</u>	<u>359,286</u>
Total liabilities and fund balances	<u>\$ 76,752</u>	<u>\$ 278,182</u>	<u>\$ 162,175</u>	<u>\$ 181,969</u>	<u>\$ 336,011</u>	<u>\$ 1,035,089</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2011

Schedule 2

	<u>Special Revenue</u>		<u>Capital Projects</u>			
	Student	Management	Statewide	Physical	Debt	
	<u>Activity</u>	<u>Levy</u>	<u>Sales, Services</u>	<u>Plant and</u>	<u>Service</u>	<u>Total</u>
			<u>and Use Tax</u>	<u>Equipment</u>		
				<u>Levy</u>		
Revenues						
Local sources						
Local taxes	\$ -	\$ 215,794	\$ 340,192	\$ 145,605	\$ 319,704	\$ 1,021,295
Other	182,863	10,553	640	5	-	194,061
State sources	-	112	-	49	109	270
Federal sources	-	-	-	23,208	-	23,208
Total revenues	<u>182,863</u>	<u>226,459</u>	<u>340,832</u>	<u>168,867</u>	<u>319,813</u>	<u>1,238,834</u>
Expenditures						
Current						
Instruction						
Regular	-	60,408	27,067	-	-	87,475
Other	<u>194,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,372</u>
Total instruction	<u>194,372</u>	<u>60,408</u>	<u>27,067</u>	<u>-</u>	<u>-</u>	<u>281,847</u>
Support services						
Instructional staff	-	-	-	50,811	-	50,811
Administration	-	49,210	-	-	-	49,210
Operation and maintenance	-	89,260	-	-	-	89,260
of plant						
Transportation	<u>-</u>	<u>5,463</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,463</u>
Total support services	<u>-</u>	<u>143,933</u>	<u>-</u>	<u>50,811</u>	<u>-</u>	<u>194,744</u>
Other expenditures						
Facilities acquisition	-	-	123,429	85,831	-	209,260
Long-term debt						
Principal	-	-	-	-	351,500	351,500
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,805</u>	<u>163,805</u>
Total other expenditures	<u>-</u>	<u>-</u>	<u>123,429</u>	<u>85,831</u>	<u>515,305</u>	<u>724,565</u>
Total expenditures	<u>194,372</u>	<u>204,341</u>	<u>150,496</u>	<u>136,642</u>	<u>515,305</u>	<u>1,201,156</u>
Excess (deficiency) of revenues over						
(under) expenditures	<u>(11,509)</u>	<u>22,118</u>	<u>190,336</u>	<u>32,225</u>	<u>(195,492)</u>	<u>37,678</u>
Other financing sources (uses)						
Interfund operating transfers in	-	-	-	-	364,425	364,425
Interfund operating transfers (out)	<u>-</u>	<u>-</u>	<u>(336,591)</u>	<u>(27,834)</u>	<u>(168,371)</u>	<u>(532,796)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(336,591)</u>	<u>(27,834)</u>	<u>196,054</u>	<u>(168,371)</u>
Net change in fund balances	<u>(11,509)</u>	<u>22,118</u>	<u>(146,255)</u>	<u>4,391</u>	<u>562</u>	<u>(130,693)</u>
Fund balances, beginning of year, as restated	<u>86,670</u>	<u>55,491</u>	<u>308,430</u>	<u>10,706</u>	<u>28,682</u>	<u>489,979</u>
Fund balances, end of year	<u>\$75,161</u>	<u>\$ 77,609</u>	<u>\$ 162,175</u>	<u>\$ 15,097</u>	<u>\$ 29,244</u>	<u>\$ 359,286</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Athletics	\$ 16,745	\$ 61,750	\$ 64,121	\$ 14,374
Art club	444	-	209	235
Future Homemakers of America	87	486	341	232
Octagon	263	216	50	429
National Honor Society	834	-	156	678
Pep club	2,199	2,585	3,322	1,462
SADD	-	198	84	114
High school science club	2,090	573	709	1,954
Middle school science club	205	-	-	205
Spanish club	473	22	299	196
Speech	544	160	-	704
Post prom	38	18,831	18,508	361
Student council	3,224	3,636	3,170	3,690
Middle school student council	612	32	97	547
Academic club	68	-	80	(12)
Class of:				
2009	452	-	-	452
2010	582	-	-	582
2011	2,420	1,284	3,498	206
2012	1,271	2,864	2,616	1,519
2013	905	56	-	961
2014	519	-	36	483
2015	119	-	-	119
Pop machines	7,833	1,073	10,032	(1,126)
Fundraising - Carter	(881)	-	-	(881)
Fundraising - Housel	3,778	380	1,289	2,869
Fundraising - Hoenig	2,721	1,431	3,608	544
Art/Science Club Trip	134	-	5	129
Jump Rope for Heart	248	-	-	248
Author	88	-	-	88
MS Soar	4,753	334	97	4,990
HS Soar	347	834	1,869	(688)
Shelman	1,236	728	1,079	885

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
For the Year Ended June 30, 2011

Schedule 3

Account	Balance, Beginning of Year	Revenues	Expenditures	Balance, End of Year
Schropp	\$ 2,147	\$ 4,126	\$ 1,485	\$ 4,788
Therapy Dog	5	-	-	5
Yearbook	2,188	12,268	8,730	5,726
Drama	5,129	1,121	1,521	4,729
Interest	4,151	79	-	4,230
Dance team	43	1,922	1,954	11
Cheerleaders	1,490	780	1,766	504
Middle school cheerleaders	(52)	349	211	86
Elementary account	7,374	3,623	3,472	7,525
Character counts	1,320	-	-	1,320
Music Trip	8,434	1,901		10,335
Student activities	-	748	1,395	(647)
Transfers to other funds	90	58,473	58,563	-
Totals	<u>\$ 86,670</u>	<u>\$ 182,863</u>	<u>\$ 194,372</u>	<u>\$ 75,161</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

Schedule 4

	Modified Accrual Basis							
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues								
Local sources								
Local tax	\$2,614,057	\$2,535,460	\$2,553,376	\$2,461,557	\$2,412,175	\$2,244,519	\$2,197,021	\$2,097,154
Tuition	2,123,906	2,090,440	1,794,053	1,605,075	1,418,905	1,297,548	1,275,143	1,171,786
Other	319,554	498,012	435,846	394,122	326,539	347,559	295,197	285,819
Intermediate sources	-	1	-	-	-	-	4,500	-
State sources	2,542,637	2,244,535	2,676,779	2,633,996	2,366,979	2,271,340	2,063,795	2,017,561
Federal sources	380,973	460,827	240,577	162,137	182,704	160,616	175,141	161,160
Total revenues	<u>\$7,981,127</u>	<u>\$7,829,275</u>	<u>\$7,700,631</u>	<u>\$7,256,887</u>	<u>\$6,707,302</u>	<u>\$6,321,582</u>	<u>\$6,010,797</u>	<u>\$5,733,480</u>
Expenditures								
Current								
Instruction								
Regular	\$3,013,408	\$2,791,487	\$2,699,571	\$2,508,997	\$2,273,662	\$2,768,537	\$2,438,568	\$2,233,610
Special	985,242	948,095	949,735	776,639	759,787	522,793	676,180	580,581
Other	1,020,150	1,015,525	935,805	841,645	800,026	396,889	514,212	495,443
Support services								
Student	183,538	191,640	179,507	191,030	168,435	157,763	154,606	150,831
Instructional staff	387,114	272,461	250,350	277,027	322,784	255,231	146,940	135,503
Administration	715,839	667,944	677,463	642,081	599,558	543,696	492,185	473,194
Operation and maintenance of plant	643,286	825,359	657,586	679,517	585,857	540,321	525,017	486,376
Transportation	70,352	72,295	98,518	77,710	68,197	100,591	89,423	22,790
Central support services	-	-	-	-	-	-	-	25
Other expenditures								
Facilities acquisition	2,276,659	537,957	197,661	152,946	166,826	225,816	435,007	1,330,074
Long-term debt								
Principal	351,500	310,000	560,000	596,101	573,899	3,240,000	635,780	612,927
Interest and other charges	163,805	148,898	95,301	114,788	132,888	292,279	242,611	218,889
AEA flowthrough	179,847	178,872	166,586	163,009	150,708	143,295	132,340	136,265
Total expenditures	<u>\$9,990,740</u>	<u>\$7,960,533</u>	<u>\$7,468,083</u>	<u>\$7,021,490</u>	<u>\$6,602,627</u>	<u>\$9,187,211</u>	<u>\$6,482,869</u>	<u>\$6,876,508</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund
For the Year Ended June 30, 2011

Schedule 5

	Balance, Beginning of <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	Balance, End of <u>Year</u>
Assets				
Cash	<u>\$ 723</u>	<u>\$46,170</u>	<u>\$ 46,126</u>	<u>\$ 767</u>
 Liabilities				
Due to others	<u>\$ 723</u>	<u>\$46,170</u>	<u>\$ 46,126</u>	<u>\$ 767</u>

See accompanying Independent Auditor's Report.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule 6

Grantor/Program	CFDA Number	Grant Number	Expenditures	
Indirect				
U.S. Department of Agriculture				
Iowa Department of Education				
School Nutrition Cluster Programs				
School Breakfast Program	10.553	FY11	\$ 44,342	
National School Lunch Program	10.555	FY11	164,363	*
Total Department of Agriculture			<u>208,705</u>	
U.S. Department of Education				
Iowa Department of Education				
Title I, Part A Cluster				
Title I Grants to Local Educational Agencies	84.010	FY11	125,548	
Title I Grants to Local Educational Agencies	84.010	FY10	3,034	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	<u>51,812</u>	
			180,394	
Vocational Education - Basic Grants to States	84.048	FY11	6,002	
Special Education - Preschool Grants, Part B	84.173	FY11	1,528	**
Safe and Drug-free Schools and Communities-State Grants	84.186	FY11	1,728	
Fund for the Improvement of Education				
Iowa Demonstration Construction Grant	84.215	FY11	23,208	
Improving Teacher Quality State Grants	84.367	FY11	20,064	
Grants for State Assessments and Related Activities	84.369	FY11	4,674	
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	25,040	
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	FY11	19,946	
Education Jobs Fund	84.410	FY11	34,530	
ARRA COBRA Subsidy	TBD	FY11	<u>4,771</u>	
Total Iowa Department of Education			<u>321,885</u>	
Grant Wood Area Education Agency				
Special Education-Grants to States	84.027	FY11	27,998	**
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	FY11	<u>31,090</u>	
Total Area Education Agency			<u>59,088</u>	
Total Department of Education			<u>380,973</u>	
Total federal awards			<u>\$ 589,678</u>	

* Include \$14,653 of non-cash awards

** Total for Special Education Cluster (IDEA) is \$29,526

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the West Burlington Independent School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying Independent Auditor's Report.

KAY L. CHAPMAN, CPA PC

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Muscatine, Iowa 52761
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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education
West Burlington Independent School District

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of West Burlington Independent School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated January 27, 2012. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered West Burlington Independent School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of West Burlington Independent School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of West Burlington Independent School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11, II-B-11, II-C-11, and II-D-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-E-11 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Burlington Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

West Burlington Independent School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit West Burlington Independent School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Burlington Independent School District and other parties to whom West Burlington Independent School District may report, including federal awarding agencies and other pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the West Burlington Independent School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 27, 2012

KAY L. CHAPMAN, CPA PC

119 West Mississippi Drive Suite 3
Muscatine, Iowa 52761
563-264-1385

Independent Auditor's Report on Compliance with Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education
West Burlington Independent School District

Compliance

I have audited the compliance of West Burlington Independent School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of West Burlington Independent School District's major federal programs for the year ended June 30, 2011. West Burlington Independent School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of West Burlington Independent School District's management. My responsibility is to express an opinion on West Burlington Independent School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about West Burlington Independent School District's compliance with those requirements and performing such other procedures as I consider necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on West Burlington Independent School District's compliance with those requirements.

In my opinion, West Burlington Independent School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of West Burlington Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of

laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered West Burlington Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of West Burlington Independent School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, I identified deficiencies in internal control over compliance I consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of the control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items III-A-11, III-B-11, III-C-11 and III-D-11 to be material weaknesses.

West Burlington Independent School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit West Burlington Independent School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of West Burlington Independent School District and other parties to whom West Burlington Independent School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Kay L. Chapman, CPA PC

Kay L. Chapman, CPA PC
January 27, 2012

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Part I. Summary of the Independent Auditor's Results

1. Unqualified opinions were issued on the financial statements.
2. A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
3. The audit did not disclose any non-compliance which is material to the financial statements.
4. Material weaknesses in internal control over the major programs was disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance with requirements applicable to each major program.
6. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
7. Major programs were as follows:
 - Clustered programs – Title I, Part A cluster:
 - CFDA Number 84.010 Title I Grants to Local Educational Agencies
 - CFDA Number 84.389 ARRA - Title I Grants to Local Educational Agencies, Recovery Act
 - Clustered programs:
 - CFDA Number 10.553 School Breakfast Program
 - CFDA Number 10.555 National School Lunch Program
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. West Burlington Independent School District did not qualify as a low-risk auditee.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Part II. Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

II-A-11 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

II-B-11 Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

II-C-11 Material Misstatement not Detected - During the course of my audit, I discovered some material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The balance of the cash with fiscal agent and accounts payable in the Capital Projects - Building Project Fund were underreported, the interest revenue and principal and interest expenditures in the Debt Service Fund were underreported and the cash balance in the School Nutrition Fund was overstated.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

II-D-11 Cash Handling Procedures - During the audit it was noted that the procedures followed at the elementary for handling and accounting for cash, were inadequate and not in accordance with the District's procedures. The following deficiencies were noted:

- Deposits were not made timely
- Receipts were not prepared for all cash received
- Lack of segregation of duties between receiving the cash and recording cash in the student meal reporting system

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Recommendation - The District should ensure that all personnel follow the District's procedures for receiving, receipting, depositing and recording cash. The District should implement the following procedures at the elementary building to improve controls.

- Receipts (in triplicate) should be prepared for all cash or checks received with one copy given to the payer, one copy retained by the elementary office and one copy provided to the district office for recording in the accounting records
- Receipts should be reconciled to the monies deposited to ensure that all monies received get deposited. This should be performed by someone other than the employee receipting or depositing the monies.
- Deposits should be made timely - daily or weekly as appropriate
- The employee receiving and receipting monies should not also record the payment in the subsidiary records or documents. For instance, the employee receiving and receipting payments from students towards their meal accounts should not enter the payment in the student meal accounting system.

Response - We reviewed our procedures and implemented your recommendations at the elementary building in the fall of 2011. We will also review the procedures practiced at the high school building to ensure that they comply with our cash handling procedures.

Conclusion - Response accepted.

II-E-11 Use of District's Federal Identification Number - It was noted during the audit that the WBEA, WB Little League and Memorial organizations are using the District's federal identification number on their bank accounts.

Recommendation - Organizations that are not part of the school district should not use the District's federal identification number. The District should contact the organizations and insist that they discontinue using the District's federal identification number. If the organizations continue to use the District's federal identification number, the organizations' funds and records should be incorporated into the District's accounting system as agency funds.

Response - We will talk to the organizations about getting their own federal identification numbers and insist that they discontinue using the District's.

Conclusion - Response accepted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III. Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 10.553 School Breakfast Program
CFDA Number 10.555 National School Lunch Program
Federal Award Year: 2011
U.S. Department of Agriculture
Passed through the Iowa Department of Education

CFDA Number 84.010 Title I Grants to Local Educational Agencies
CFDA Number 84.394 ARRA – Title I Grants to Local Educational Agencies, Recovery Act
Federal Award Year: 2011
U.S. Department of Education
Passed through the Iowa Department of Education

III-A-11 Segregation of Duties - The limited number of accounting personnel makes it difficult to achieve adequate internal accounting control through the segregation of duties and responsibilities. I noted that the same individual performs the following duties: as recording and processing cash receipts, preparing checks and bank reconciliations, preparation of journals and general financial information for ledger posting, and the analysis of financial information. A small staff makes it difficult to establish an ideal system of automatic internal checks on accounting record accuracy and reliability, although I noted the District had taken steps to segregate duties between the present personnel. This is not an unusual condition but it is important the District officials are aware that the condition exists.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the District to obtain the maximum internal control possible under the circumstances.

Response - We will review our procedures and implement changes to improve internal control, as we deem necessary.

Conclusion - Response accepted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

III-B-11 Financial Statement Preparation - Financial statement preparation is the responsibility of the District. At the present time, District personnel do not have the skills necessary to prepare the District's financial statements and related note disclosures in compliance with generally accepted accounting principles (GAAP). This is not an unusual situation for small governmental entities.

Recommendation - The business manager should consider obtaining additional GAAP training through reading relevant accounting literature and/or attending professional education courses. Since GAAP reporting and disclosures change constantly, the business manager should consider taking training annually to stay up-to-date on GAAP reporting and disclosure requirements. The District should also obtain current governmental accounting, reporting and disclosure reference materials and update them as new pronouncements become effective.

Response - We believe that the business manager has sufficient knowledge to perform her daily duties and take responsibility for the annual financial statements and footnote disclosure in compliance with GAAP, as prepared by the auditor. We certainly understand the need for continuing education classes for all of our staff, including the business manager. However, we have a limited budget and must continually prioritize needs. We will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.

Conclusion - Response accepted.

III-C-11 Material Misstatement not Detected - During the course of my audit, I discovered some material misstatements on the District's Certified Annual Report (CAR) that were not detected by the District's internal controls. The balance of the cash with fiscal agent and accounts payable in the Capital Projects - Building Project Fund were underreported, the interest revenue and principal and interest expenditures in the Debt Service Fund were underreported and the cash balance in the School Nutrition Fund was overstated.

Recommendation - An effective system of internal control should detect material misstatements in the District's financial records and financial reporting. The District should review their control procedures and make appropriate changes to improve their internal controls to help eliminate this deficiency.

Response - We feel that our business manager has the knowledge needed to adequately perform her duties. The superintendent reviews some, but not all of the work performed and reports prepared by the business manager. We would like to hire additional office personnel to help with the business manager's workload and

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

to provide more oversight and cross-checking of her work. However, with a limited budget, it is difficult to hire enough adequately-trained office personnel to

review each other's work. We will review our procedures and consider making changes we deem necessary.

Conclusion - Response accepted.

III-D-11 Cash Handling Procedures - During the audit it was noted that the procedures followed at the elementary for handling and accounting for cash, were inadequate and not in accordance with the District's procedures. The following deficiencies were noted:

- Deposits were not made timely
- Receipts were not prepared for all cash received
- Lack of segregation of duties between receiving the cash and recording cash in the student meal reporting system

Recommendation - The District should ensure that all personnel follow the District's procedures for receiving, receipting, depositing and recording cash. The District should implement the following procedures at the elementary building to improve controls.

- Receipts (in triplicate) should be prepared for all cash or checks received with one copy given to the payer, one copy retained by the elementary office and one copy provided to the district office for recording in the accounting records
- Receipts should be reconciled to the monies deposited to ensure that all monies received get deposited. This should be performed by someone other than the employee receipting or depositing the monies.
- Deposits should be made timely - daily or weekly as appropriate
- The employee receiving and receipting monies should not also record the payment in the subsidiary records or documents. For instance, the employee receiving and receipting payments from students towards their meal accounts should not enter the payment in the student meal accounting system.

Response - We reviewed our procedures and implemented your recommendations at the elementary building in the fall of 2011. We will also review the procedures practiced at the high school building to ensure that they comply with our cash handling procedures.

Conclusion - Response accepted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Part IV. Other Findings Related to Required Statutory Reporting:

1. Certified Budget - Expenditures for the year ended June 30, 2011 did not exceed the amounts budgeted.
2. Questionable Expenditures - No expenditures I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
3. Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
4. Business Transactions - No business transactions between the District and District officials or employees were noted.
5. Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
6. Board Minutes - I noted no transactions requiring Board approval which had not been approved by the Board.
7. Certified Enrollment - No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
8. Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
9. Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
10. Certified Annual Reports - The Certified Annual Report was certified timely to the Department of Education.
11. Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
12. Statewide Sales, Services and Use Tax - No instances of noncompliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 308,430
Revenues		
Statewide sales and services tax revenue	\$ 340,192	
Other local revenues	<u>640</u>	340,832
Expenditures/transfers out		
School infrastructure		
School infrastructure construction	\$ 123,429	
Equipment	27,067	
Debt service for school infrastructure		
Revenue debt	<u>336,591</u>	<u>487,087</u>
Ending balance		<u>\$ 162,175</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2011 is equivalent to a reduction in the following levies:

	Per \$1,000 of Taxable <u>Valuation</u>	Property Tax <u>Dollars</u>
Debt service levy	\$ 0.73934	\$ 70,000

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Audit Staff
June 30, 2011

This audit was performed by

Kay Chapman, CPA
Tammy Calvert, staff accountant

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
 Corrective Action Plan for Federal Audit Findings
 For the Year Ended June 30, 2011

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
III-A-11	Segregation of Duties	District reviewed procedures and plan to make the necessary changes, as we deem necessary to improve internal control	Tina Diwold Business Manager (319)- 752-8747	6/30/2012
III-B-11	Financial Statement Preparation	The District will investigate alternatives, but believe that it would not be an efficient use of District funds to get and maintain the necessary training for the business manager to comply with this recommendation. Nor do we consider hiring additional staff possessing these skills to be a feasible option.		6/30/2012
III-C-11	Material Misstatement not Detected	District reviewed procedures and plan to make the necessary changes, as we deem necessary to improve internal control		6/30/2012
III-D-11	Cash Handling Procedures	District reviewed procedures and implemented recommendations at the elementary building in the fall of 2011. District also reviewed procedures practiced at the high school building to ensure that they comply with the cash handling procedures.		6/30/2012

WEST BURLINGTON INDEPENDENT SCHOOL DISTRICT
Summary Schedule of Prior Federal Audit Findings
For the Year Ended June 30, 2011

<u>Comment Number</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
III-A-10	Segregation of Duties	Not corrected.	Plan to segregate duties for custody, recordkeeping and reconciling among West Burlington Independent School District staff.
III-B-10	Financial Statement Preparation	Not corrected.	District will investigate and implement alternative procedures to increase controls.
III-C-10	Material Misstatement not Detected	Not corrected.	District will investigate and implement alternative procedures to increase controls.
III-D-10	Cash Handling Procedures	Not corrected.	District will investigate and implement alternative procedures to increase controls.
III-E-10	Lack of Supporting Records for ARRA Reporting	Corrected	